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THE INTERIM

FEBRUARY 1998

HELENA, MONTANA

VOL. XI NO. 9

OVERSIGHT COMMITTEE ON CHILDREN AND FAMILIES

Committee to Hold Special Meeting...Assisting the Department of Public Health and Human Services (DPHHS) in crafting a Children's Health Insurance Program (CHIP) legislative package will be the focus of a special meeting of the Joint Oversight Committee on Children and Families (JOCCF) on February 11 at 10 a.m. in Room 420 of the Capitol. At its meeting on January 8, several members of JOCCF expressed concern that the CHIP proposal DPHHS plans to bring to the 1999 Legislature will be rejected, and expressed a willingness to help assemble a plan that is most palatable to the majority of the Legislature. The February 11 meeting will take the form of a round table discussion. As with all JOCCF meetings, this will be open to the public and public comment will be solicited. Invited to directly participate in the discussion will be DPHHS staff, JOCCF members, staff from the Legislative Audit and Fiscal Divisions, and representatives of the insurance industry.

Committee Hears Numerous and Varied Reports...JOCCF took on a daunting agenda at its January 8 meeting, with subjects ranging from the Office of Public Instruction's Youth Risk Behavior Survey to DPHHS' Prevention Needs Assessment Survey to children's health insurance, managed mental health care, oversight of the Interagency Coordinating Council for State Prevention Programs (ICC), and the Uniform Child Custody Jurisdiction and Enforcement Act, just to name a few.

Greg Petesch, Legislative Services Division Legal Director, presented the Committee with a draft child custody jurisdiction and enforcement bill that would effectively put Montana's statutes in sync with the suggestions agreed upon in July by the National Conference of Commissioners on Uniform State Laws. JOCCF members were asked to take home with them the 93-page document, which also contains explanatory comments, review it and be prepared to discuss it in greater detail at the next regular meeting in the Spring.

PLEASE RETURN

The Committee continued to amass information to include in its end-of-the-interim product, "The Legislator's Guide to Child and Family Issues" (working title) by hearing a presentation from Jan Spiegel-Stinger, DPHHS' Developmental Disabilities Division Child and Family Specialist. Ms. Spiegel-Stinger provided background information and submitted to the Committee some requests that will be voted on by the Committee at a later meeting, with the results placed in the guide for use by legislators in 1999.

Committee Offers Support to "Kids Count Data Book"...As requested by the Committee at its November meeting, Steve Yeakel of the Montana Council for Maternal and Child Health, furnished the Committee with names of individuals and organizations who use the "Kids Count Data Book", including information on how it is used. The Committee voted to produce a letter of support for the Data Book that may be used for advertising and gathering donations. Members also voted to send a letter to the Kids Count Data Book advisory committee urging it to explore alternative ways to disseminate the information contained in the book, such as via the Internet.

Committee to Support Child Abuse Prevention Initiatives...JOCCF agreed to lend its support to child abuse and neglect prevention efforts by the Montana Council for Families and DPHHS. The support will take the form of letters expressing the Committee's recognition of the validity of child abuse prevention strategies and urging local advisory groups to ensure that a portion of Child Abuse Prevention and Treatment Act block grant funds and other federal block grant funds continue to be applied to local child abuse prevention initiatives.

Committee to Reschedule Spring Meeting...The Committee had scheduled March 10 and 11 as its next regular meeting. Conflicts have arisen, however, and Committee members are currently being asked to submit information on their personal schedules so a new set of dates can be determined for the remainder of the interim. As soon as they are finalized, those dates will be distributed to the Committee's interested persons and published in *THE INTERIM*.

For more information about the activities of the Committee on Children and Families, contact Leanne Kurtz at 444-3064 or via e-mail at <lekurtz@mt.gov>.

INTERIM PROPERTY TAX COMMITTEE

Committee To Meet in Lewistown...The Interim Property Tax Committee created by Senate Bill 195 will have continued its efforts to develop alternatives to Montana's property tax system by meeting in Lewistown on Wednesday and Thursday, January 28 and 29. In addition to the Committee's scheduled public hearing on January 28, the members will participate in a seminar-type forum investigating the concept of "acquisition valuation" and Proposition 13 in California. The Committee has engaged Mr. James J. DalBon and Mr. Alan Flory, both of whom

have been county assessors in California and who have been involved in California property tax issues prior to and subsequent to the adoption of acquisition valuation and Proposition 13. This seminar is in direct response to the Committee's charge under SB 195 to investigate "options designed to supplement or replace the current valuation system in order to prevent the exclusive reliance on market value".

Committee to Meet with County Commissioners...Early next month, the Committee will provide a forum for, potentially, all 168 of Montana's county commissioners at the winter meeting of the Montana Association of Counties in Billings on February 9. The forum for MACO will be at the Billings Plaza Holiday Inn and, tentatively, is scheduled to begin at approximately 2:30 p.m. The subject to be addressed is, of course, proposals to revise, reform, or replace Montana's property tax system. Local legislators, especially, are welcome to attend and participate.

Committee to Look at Nonlevy Revenue and Utility Valuation and Taxation...In March, Committee discussion will focus on nonlevy revenue generated by/for local governments, including schools. Additionally, the valuation and taxation of utility property, especially hydropower generation facilities (dams) and other electric generation plants, will initially be a topic of Committee discussion. The issues emanating from "utility restructuring" are of growing concern to tax policy makers, if for no other reason than the fiscal impacts to the state (especially K-12 funding) and, moreover, to local governments specifically affected by any private transactions affecting statewide or local taxable valuation. Because the Revenue Oversight Committee is specifically assigned to investigate the tax policy and revenue implications of energy utility restructuring, the Property Tax Committee has deferred to ROC on this aspect of property taxation and eagerly and anxiously awaits further developments and reports. The first of those reports to the Committee will be presented in Livingston on Thursday, March 5. The exact location of the meeting has not been set yet, but will be published in the March edition of *THE INTERIM*. Subsequent to the Livingston meeting, a public hearing on property tax reform proposals will be held in Bozeman on Friday, March 6. The location of that meeting will also be published in the March edition of *THE INTERIM*.

Committee Seeking Ideas...Beginning with the March meetings and continuing throughout the Spring, the Committee members will have engaged the discussion of "alternatives" to be included in the menu to be forwarded to the 56th Legislature. Consequently, now is the time to contact a Committee member with your ideas for "revising, reforming, or replacing Montana's property tax system".

For additional information about the Committee or its meeting schedule, contact Committee Chairman Senator Barry "Spook" Stang (649-2414) or Dave Bohyer (444-3064)

COMMITTEE ON STATE MANAGEMENT SYSTEMS

Committee Hears Reports on Information Technology Projects...At its January 20 meeting, the Oversight Committee on State Management Systems heard an analysis of last session's information technology bonding bill, otherwise known as House Bill No. 188. House Bill No. 188 allowed for the creation of state debt through the issuance of bonds to fund various information technology projects in state government. What follows is the substantive portion of that analysis.

HB 188 - Allocations

◇	Department of Revenue - \$14,000,000
◇	Office of Budget and Program Planning - \$500,000
◇	Department of Labor - \$3,600,000
◇	University System - \$3,200,000
◇	Department of Corrections - \$1,890,408
◇	Department of Administration - \$19,800,000

TOTAL: \$42,990,408

DEPARTMENT OF REVENUE - \$14,000,000

Project for Revenue Information Systems Modernization (PRISM)

Replace the legacy systems used to manage tax processing, administration, and revenue collecting. The components of PRISM are:

1. Consolidation of systems that handle employers reporting for income tax withholding, Old Fund liability tax, and unemployment insurance contributions;
2. Income tax modernization; and
3. Integration of property tax systems (consolidation of four separate systems).

PRISM is also intended to facilitate the merging of the Department of Labor and Industry's and Department of Revenue's wage-based tax reporting and collection functions, as mandated by House Bill 561. PRISM is scheduled to be completed in three years.

DEPARTMENT OF ADMINISTRATION - \$19,800,000

Montana Project to Reengineer the Revenue and Information Management Environment (MT PRRIME)

Entails replacement of the state's core budget, financial, and human resource systems, among these: SBAS, PAMS, PPP, Warrant Writer, MIBS, and revenue collection systems. MT PRRIME is expected to address Year 2000 issues in those management systems it is replacing. Specific modules will be implemented in stages; full implementation is expected by June, 1999.

OFFICE OF BUDGET AND PROGRAM PLANNING - \$500,000**Montana Project to Reengineer the Revenue and Information Management Environment (MT PRRIME)**

At the time HB 188 was passed, it was unclear whether the \$500,000 allotted to OBPP for the Montana Integrated Budget System (MIBS) would be used for further development of MIBS or for the purchase of a budgeting module for MT PRRIME. MIBS is being replaced by the MT PRRIME budgeting module, which will be used in the executive budget development process, for legislative purposes (HB 2), and budget implementation and monitoring.

UNIVERSITY SYSTEM - TECHNOLOGY INITIATIVE - \$3,200,000**MSU Administrative System (\$1.6 million)**

The project will include:

- a. replacing the existing administrative system (SCT/Banner);
- b. addressing Year 2000; and
- c. allowing electronic integration of all MSU campuses.

UM Financial System (\$1.6 million)

This portion of the project will also include wiring at UM Montana Tech and UM Western, allowing for full electronic integration among all UM campuses.

The debt service on the bonds will be paid one-half with general fund dollars and one half with auxiliary funds.

DEPARTMENT OF CORRECTIONS - IT PLAN - \$1,890,408**Adult Correctional Information System (ACIS)**

Funding will allow the Department of Corrections (DOC) to develop additional modules for the ACIS as requested by the Legislative Finance Committee. Additional plans include:

- a. implementation of imaging, bar coding, and digital fingerprinting technology;
- b. hardware and software acquisitions to provide an interface between ACIS and DOJ's Criminal History Record System;
- c. installation of additional local area networks and network upgrades for the Department;
- d. general hardware/software acquisitions and hardware upgrades; and
- e. acquisition of equipment to establish a training facility.

The Committee also heard a more detailed analysis of what the Department plans to do with the funding it received through HB 188. House Bill No. 2 also contains DOC information technology funding.

DEPARTMENT OF LABOR AND INDUSTRY (DLI)- \$3,600,000Unemployment Benefit Package

DLI will rewrite, modernize, and prepare the current Unemployment Insurance benefits payment system for the Year 2000. The system processes all state unemployment insurance claims, including initial claims, weekly claims, eligibility determinations, employer charging, and benefit payment control functions. Federal dollars will completely fund this \$3.6 million appropriation via:

- a. the Unemployment Insurance Administrative Grant to pay the principal; and
- b. Unemployment Insurance penalty and interest funds to pay interest.

The Committee plans to invite other recipients of HB 188 funding to present their information technology improvement plans in greater depth at future meetings.

The next meeting of the Committee on State Management Systems is scheduled for March 10. For additional information on the Committee, contact Leanne Kurtz at 444-3064 or at <lekurtz@mt.gov>.

COMMITTEE ON INDIAN AFFAIRS

Committee Discusses Economic Development...The Committee on Indian Affairs met on January 15 to discuss economic development initiatives on Indian reservations. Andrea Main of the Montana Tribal Business Information Network gave a report on the work of the Network. The Network is comprised of the seven Tribal Business Information Centers (TBICs) located on Montana's seven Indian reservations. The centers provide business information, education, assistance, and development to Indian and non-Indian entrepreneurs. Each center is housed in the tribal college on each reservation; this provides the advantage of access to college resources, instructors, and other in-kind services.

The main objectives of the TBICs are to:

- a. bring together and provide the necessary business development resources and technical assistance services required to make informed business decisions;
- b. provide individual entrepreneurs with long term business support, training, and employment opportunities; and
- c. provide a community-based business support network that allows people to help themselves.

The TBICs concentrate on service delivery and client development by providing business information and technical assistance in business planning; loan

packaging; financial, marketing, management, and accounting decisionmaking; and locating business venture resources.

Following Ms. Main's presentation, directors from four of the TBICs presented information on the work of the individual centers. The first Center was established at Salish Kootenai College in September 1995 and the last at Fort Peck College in January 1997. In that short amount of time, the centers have assisted over 500 people through college coursework, workshops, loan packaging, and business plan development. Although the number of new businesses that have been developed is still small, the work of the TBICs should result in the expansion of private sector businesses on reservations.

Ms. Main asked the Committee to support the TBICs by recommending that the Legislature provide some funding for their operation.

Leonard Smith of the Native American Manufacturers' Network (NAMN) spoke to the Committee on the work of his organization. NAMN is an organization of tribal manufacturing firms working together to raise visibility; promote services; and increase technological and market knowledge through the use of shared expertise, equipment, capabilities, and joint bidding ventures of NAMN members. NAMN provides training and education, sponsors trade fairs, maintains a revolving loan fund, does market research, and facilitates meetings with major manufacturing firms interested in partnering with Indian manufacturers.

In 1996, Mr. Smith was instrumental in establishing the Native American Development Corporation, a multistate initiative aimed at combating poverty, unemployment, racial discrimination, and community deterioration on Indian reservations by coordinating community development and job creation programs. The Corporation has established a revolving loan fund to assist Indian-owned businesses with "gap" financing loans for start-up opportunities and business expansions. The Corporation also provides technology and business management training through partnerships with tribal colleges.

Mr. Smith made some recommendations to the Committee that included state funding for the TBICs and the Native American Development Corporation, support for the establishment of empowerment zone/enterprise community programs on reservations through the US Department of Agriculture Rural Development Program, and coordinate an economic development summit where state and tribal officials can establish specific goals for economic development and job creation on reservations.

The Committee directed staff to work with Mr. Smith and Wyman McDonald, Coordinator of Indian Affairs, to prepare a proposal to be presented to Governor Raciocot for a state-tribal economic development summit.

Committee Hears about Welfare Reform Initiative... Toni Plummer of Cherish Our Indian Children spoke to the Committee about a three-year welfare reform project that her organization is undertaking with a grant from the W.K. Kellogg Foundation. Called "Assisting Tribes with the Transition to Welfare Reform and the Adjustment to Devolution Project", its purpose is to increase the capacity and confidence of tribal and local leaders to influence policy in the area of welfare reform. The goals of the Project are to:

- a. develop a statewide Native American task force and work plan for welfare reform; and
- b. assist the seven tribal governments with the transition to Families Achieving Independence in Montana (FAIM) and the adjustments to devolution.

Some of the proposed outcomes of the project include a video that provides some very basic information on FAIM, a "Nuts & Bolts Welfare Reform" handbook, a technical assistance profile of each reservation, a welfare reform task force on each reservation, and a minimum of one meeting with tribal leaders, Governor Racicot, and appropriate department directors.

The Committee expressed its admiration to Ms. Plummer for taking on such an important project. The Committee invited Ms. Plummer to come to future meetings to update the Committee on the work of the Project.

Committee Discusses Other Issues...The Committee also discussed a number of other issues, including the establishment of an Indian Affairs Commission to replace the Coordinator of Indian Affairs, the no smoking and grooming policies recently implemented at Montana State Prison (MSP), and a Committee visit to the Blackfeet Reservation.

The Committee directed staff to work with the Correctional Standards and Oversight Committee on the MSP no smoking and grooming policies and to work with Rep. George Heavy Runner on a Committee visit to the Blackfeet Reservation in May.

At its November meeting, the Committee heard a presentation on the federal Child Health Insurance Program. At that time, the Department of Public Health and Human Services requested a letter from the Committee to Montana's Congressional delegation asking their support for a change in the funding allocation formula for the program. The program requires that Indian children who are covered by the Indian Health Service (IHS) be covered under this new program. However, in the funding allocation formula, Indian children covered by IHS were not counted. Therefore, Montana's allocation is understated by about 1,000 to 2,000 Indian children. After some discussion, the Committee voted unanimously to send the letter.

The Committee also voted unanimously to send a letter of condolence to the family of Margery Hunter Brown who passed away on January 9. Ms. Brown was the founder of the Indian Law Clinic at the University of Montana Law School and a longtime advocate for mutually respectful state-tribal relations.

Committee Has New Member...Rep. Gerald Pease submitted his resignation from the Committee on Indian Affairs. The Committee expressed its regret at the resignation and thanked Rep. Pease for his service. Rep. Bill Whitehead of Wolf Point has been appointed to take his place.

Committee May Meet in May...The Committee hopes to hold its next meeting in May on the Blackfeet Indian Reservation. Further information regarding this meeting will be forthcoming in future issues of **THE INTERIM**.

LEGISLATIVE AUDIT COMMITTEE

Committee Meets in January...The Legislative Audit Committee met January 16, 1998, in Room 437 in the Capitol. The following reports were presented.

FINANCIAL-COMPLIANCE AUDITS:

Statewide Audit (#97-1)

An audit was performed of the state's General Purpose financial statements. An unqualified opinion on those financial statements is included in the state's Comprehensive Annual Financial Report. Copies of the report can be obtained from the Department of Administration, Accounting and Management Support Division, PO Box 200102, Helena MT 59620-0102. If you need assistance in obtaining copies please contact the Legislative Audit Division at 444-3122.

Public Employees' Retirement System - Comprehensive Annual Financial Report (#97-8)

An audit of the financial statements was performed for each of the retirement systems administered by the Public Employees' Retirement Board. An unqualified opinion was issued on the financial statements of each of the following retirement systems' as of June 30, 1997, and for the year then ended: Public Employees' Retirement System, Municipal Police Officers' Retirement System, Game Wardens' Retirement System, Sheriffs' Retirement System, Judges' Retirement System, Highway Patrol Officers' Retirement System, Firefighters' Unified Retirement System, and the Volunteer Firefighters' Compensation Act. The audit opinions are included in the annual report prepared by the Department of Administration's Public Employees' Retirement Division. Copies of the report can be obtained from the Retirement Division at 444-3154.

Teachers' Retirement System - Annual Report (#97-9)

An audit of the financial statements was performed for the Teachers' Retirement Division. An unqualified opinion was issued on the financial statements of the Teachers' Retirement Systems' as of June 30, 1997, and for the year then ended. The audit opinion is included in the annual report prepared by the Department of Administration's Teachers' Retirement Division. Copies of the report can be obtained from the Teachers' Retirement Division at 444-3134.

Department of Transportation (#97-16)

This report contains the results of the financial-compliance audit of the Department of Transportation for the two fiscal years ending June 30, 1997. An unqualified opinion was issued on the financial schedules presented in this report. This means the reader may rely on the presented financial information and the supporting detailed information on the Statewide Budgeting and Accounting System.

The report contains seven recommendations directed to the Department. Four recommendations relate to: state and federal compliance that involve issues of

monitoring federal and state funds provided to subrecipients; inclusion of replacement cost in equipment rate; and providing accurate information to the Department of Administration related to the Cash Management Improvement Act of 1990. Two recommendations relate to improving internal controls over outdoor advertising revenues and Motor Carrier Services Division's permitting function.

The remaining recommendation relates to improving procedures for recording revenues and expenditures on the state's accounting records and establishing administrative rules addressing fuel taxes and motor pool regulations in accordance with state laws.

Department of Justice (#97-17)

This financial-compliance audit report contains the results of the audit for the two fiscal years ending June 30, 1997. An unqualified opinion was issued on the financial schedules contained in this report.

The report contains four recommendations and three disclosure issues. Issues addressed in the recommendations include: timely deposits of video gambling taxes, recording donated assets, improper abatements, and failure to adopt rules. The disclosure issues involve Internal Service Fund fees not commensurate with costs, the Highway Patrol Officers' Retirement System, and Highway Patrol contracts and overtime pay.

The first issue in the report concerns the deposit of the video gambling tax. The Department is not depositing the tax in a timely manner as required by 17-6-105 (6), MCA, which caused \$56,272 of lost interest to the state during our audit period. The second issue in the report relates to recording donated assets at the Montana Law Enforcement Academy (MLEA). The MLEA has a foundation that raises funds for the academy. Five checks amounting to \$3,225 were made payable to the Academy, but deposited in the Foundation account. The third issue relates to improper abatement of expenditures. In 1996, Montana Rail Link had a derailment at Alberton which resulted in the need for Highway Patrol services. The Highway Patrol was later reimbursed by Montana Rail Link for the expenditures it incurred. The Department incorrectly abated the expenditures. The final issue relates to noncompliance with state law that requires the Department to adopt rules to implement mail re-registration and decal application for vehicle licensing. The Motor Vehicle Division has not promulgated these rules.

The first disclosure issue discusses fees for the Internal Service Fund. The Agency Legal Services Bureau is not charging fees commensurate with costs as required by law. The Bureau is charging less than the actual costs. The second disclosure issue relates to Highway Patrol contracts with private parties to provide law enforcement services and payment of overtime. The Highway Patrol contracts to provide law enforcement services at location sites for motion picture filming, filming of commercials, and other public events sponsored by private promoters. The Patrol also contracts with the Department of Transportation (DOT) to provide additional patrols on construction sites. The private promoters and DOT are responsible for paying the cost of the officers, including hours at time and a half. The officers are allowed to take time off their regular shift to work these contracts for overtime wages. The third disclosure issue relates to an increasing fund balance in the Special Revenue Fund for the Highway Patrol Officers' Retirement System. The increase is due largely

to the increased fees for eight year driver's licenses.

Board of Regents and Commissioner of Higher Education (#97-18)

A financial-compliance audit of the Board of Regents and the Office of the Commissioner of Higher Education was performed for the two fiscal years ending June 30, 1997. The Office implemented all five recommendations from the prior audit report.

This current audit report contains seven recommendations. The first section in the report discusses ways in which the Office can improve compliance with federal regulations. There are four recommendations related to internal controls over telephone calling cards, cash management, federal reporting, and time and effort.

The second section discusses areas where the Office can improve compliance with state laws. There is one recommendation related to the recording of Vocational Technical Education millage.

The third section discusses prescription drug rebates, while the last section discusses accounting errors related to agency fund activity. The report also contains a disclosure issue regarding insurance fund participants.

A qualified opinion was issued on the financial schedules contained in the report. This means the reader should use caution when relying on the presented financial information and the supporting data on the Statewide Budgeting and Accounting System.

Department of Agriculture (#97-19)

This report contains the results of the financial-compliance audit of the Department of Agriculture for the two fiscal years ending June 30, 1997. The previous audit report contained five recommendations still applicable to the Department. The Department implemented two, partially implemented two, and did not implement one of the recommendations. One partially-implemented recommendation relates to produce dealer licenses and assessments. Since the Department has made efforts to improve in this area, no further recommendation is made at this time. The other partially-implemented recommendation relates to writing off uncollectible loans. This issue has been discussed with management and is not included in this report.

The one recommendation not implemented relates to documenting consideration of return-on-investment agreements. The issue is addressed in this audit report on page 11. Other recommendations in this report address how the Department could improve its accounting procedures in the hail insurance program, and ensuring financial activity is properly classified on the Statewide Budgeting and Accounting System (SBAS).

The Department concurred with each of the recommendations in this report. A qualified opinion was issued on the financial schedules presented in this report. This means the reader should use caution when relying on the presented financial information and the supporting detailed information on SBAS.

Department of Livestock (#97-20)

The audit report documents the results of the financial-compliance audit of

the Department of Livestock for the two fiscal years ending June 30, 1997.

The report contains five recommendations where the Department could improve management controls and enhance compliance with state policies and laws, and one disclosure issue. The first recommendation discusses accounting for stray livestock. The second recommendation relates to board member travel. The third and fourth recommendations address compliance with state law related to use of non-General Fund money first and establishing all fees by rule. The fifth recommendation discusses timely deposit and filing of inspection fees and inspection certificates. The disclosure issue addresses the fund balance in the Special Revenue Fund.

An unqualified opinion was issued on the financial schedules contained in the report. The Department concurred with four of the recommendations and is indeterminate with one recommendation in this report. The Department's written response to the audit begins on page B-3 of the audit report.

Montana Arts Council (#97-23)

A financial-compliance audit of the Montana Arts Council was performed for fiscal years ending June 30, 1996, and June 30, 1997. An unqualified opinion was issued on the financial schedules for each of the two fiscal years under audit.

The audit report contains five recommendations to the Council regarding the use of non-General Fund money first, federal cash management, time and effort reporting, indirect costs, and Federal Special Revenue Fund balances.

PERFORMANCE AUDITS:

Administration and Enforcement of State Building Codes in Montana, Department of Commerce (#97P-01)

The performance audit examined the role and responsibilities of the Building Codes Bureau at the Department of Commerce. The Department is responsible for adopting the state building code and has general responsibility for enforcing building codes in Montana. Fifty-four local governments have elected to establish some scope of enforcement programs within their jurisdictions. The Department is responsible for enforcement in all areas of the state not covered by local programs. There is a strong justification for establishing minimum levels of building standards and a system of reviewing adherence to those standards. Montana's current system of combined state and local regulation makes sense given the large amount of work and the large physical area to be inspected. The report contains recommendations that could improve code coverage in the state and enable the Department to improve services provided by local building code programs. Other recommendations are directed at improving interagency coordination and at improving specific bureau operations.

Department of Military Affairs, Disaster & Emergency Services (#97P-03)

The performance audit of the Disaster and Emergency Services (DES) Division, Department of Military Affairs (DMA) included a review of Division and county program activities. The report includes assessments of the four phases of emergency management:

- Mitigation: Efforts are limited and could be more effective.
- Preparedness: Activities are effective, but could be improved.
- Response: Activities are effective; assistance continues to improve.
- Recovery: Programs are effective, reflect improvement from 1996 to 1997.

Audit recommendations addressed alternatives for a state mitigation program, de-centralization of earthquake program administration, revision of exercise frequency criteria, concentration of training with fewer staff, and increasing the number of district representatives.

Department of Public Health & Human Services, Laboratory Services Survey (#97P-09)

A performance survey was completed of Public Health and Environmental laboratories within the Department of Public Health and Human Services. The survey identified potential issues in both laboratories relative to management controls, management information systems, laboratory funding, and certification of private laboratories

Due to substantial reorganization of the management structure of the laboratories by the Department during the audit survey, a performance audit is being postponed. This will provide the Department an opportunity to fully establish the reorganizational changes and will allow for a more comprehensive and effective audit.

Department of Fish, Wildlife, and Parks Big Game Drawing System Follow-up (#97SP-77)

This performance audit report presents the follow-up to the audit of the Big Game Drawing System (#94P-46) administered by the Department of Fish, Wildlife and Parks. Nine of the 16 recommendations were fully implemented and 4 are partially or currently being implemented. Two recommendations were not implemented - establishing, testing, and documenting a disaster recovery plan and seeking legislative clarification with respect to the Department's authority to conduct landowner preference for deer and antelope. One recommendation was determined to be no longer applicable. It was originally recommended that the Department establish procedures for an independent review of Access Control Facility reports, but subsequently determined this review was not an effective way to control security officer activities.

ELECTRONIC DATA PROCESSING AUDIT:

Department of Administration, Information Processing Facility and Central Application (#97DP-02)

Each year the Legislative Audit Division audits the state's central computer facility and centralized computer applications. This report is used by

financial-compliance and performance auditors and contains conclusions and recommendations for improving general controls over the mainframe computer (Information Processing Facility) and application controls over the State Payroll System, Statewide Budgeting and Accounting System (SBAS), and the Warrant Writer System. The audit concluded that general and application controls provide for controlled application processing. The report contains four recommendations for improvement. The recommendations include improving access controls over the Job Scheduler program, consistent reporting of SBAS information, documenting disaster recovery plans for Central Payroll, and timely reconciliation of the Warrant Writer revolving account.

CONTRACTED AUDITS:

Legislative Branch excluding the Consumer Counsel (#97C-04)

The audit of the Legislative Branch, excluding the Consumer Counsel, was performed for the two fiscal years ending June 30, 1997. The audit was conducted by James J. Wosepka, PC, Certified Public Accountant. The report contained no recommendations.

Office of the Consumer Counsel (#97C-04)

The audit of the Office of the Consumer Counsel was performed for the two fiscal years ending June 30, 1997. The audit was conducted by James J. Wosepka, PC, Certified Public Accountant. The report contained no recommendations.

Committee to Meet in March...The next meeting of the Legislative Audit Committee is tentatively scheduled for March 27, 1998.

LEGISLATIVE COUNCIL

Council Meets in January...The Legislative Council met January 16, 1998, at the Capitol. The Council heard proposals for two land exchanges. Jefferson County proposed a transfer of property from the old campus of the Montana Developmental Center to Jefferson County for various public purposes including use by the County shops, the Jefferson County Fair, and other potential public uses. The Department of Military affairs requested consideration of a transfer relating to property located adjacent to the airport in Billings to the City of Billings. Transfer of the property would facilitate the construction of an approved reserve center in Billings. The Legislative Council recommended the Land Board consider approval of both of these exchanges.

The Council has heard a number of proposals for exchanges of land in the last couple of years. In October, the Council asked the Land Board staff to provide information on the status of nontrust land administered by various state agencies. In response to the request, the Department of Natural Resources and Conservation has stated it will coordinate an effort with all other state agencies to provide the

information. Ultimately, all agencies will be asked to participate in verification of the following information:

- a. a legal description of each parcel of land owned or administered by the agency;
- b. the legal authority under which the agency is authorized to manage these lands; and
- c. the current surface occupancy and use of each parcel and the current rental rate received for non-agency uses.

This work will lead to a valuable repository of information not now readily available. It is a large task that will take some months to complete. The Legislative Council has indicated concern that adequate consideration be given to potential market values for land in state ownership and that transfers not be made when a higher value might be obtained by sale. The Council plans to work on criteria for legislative review of transfer proposals.

Council Hears Request for Study of State Purchase of Montana Power Company Facilities...The Council heard a request from Sen. Mike Sprague for a preliminary investigation of issues associated with the state potentially attempting to purchase Montana Power electricity generation facilities. This was a significant request for information that would require considerable reallocation of resources within the branch for a reasonable response. The Legislative Council directed staff to send the request to the Transition Advisory Council, the Interim Property Tax Committee, and the Legislative Consumer Committee for further consideration.

Council Hears Report on Capitol Restoration...Mr. Bill Bayless, Administrator of the General Services Division of the Department of Administration, reported on the progress of capitol renovation planning. Of particular interest is work being done to establish the phasing of the construction work and its effect on tenants of the Capitol. In evaluating the project, the architects have determined that the most effective way to pursue the project is to evacuate large portions of the building and work in double shifts to complete the work in those portions. The plan is to first evacuate all occupants east of the west wing (the wing with the House of Representatives in it), with the exception of a part of the Governor's Office. Then the west wing occupants will be moved out and that wing completed. Details remain to be concluded, but essentially, the first moves will take place as soon after the 1999 session as is feasible. The moves will be coordinated to interfere as little as possible with post-session work by legislative division staffs, session attache staffs, and the budget office.

The legislature will need to revise its normal operations considerably during the 1999 -- 2001 biennium. Not only will most legislative staff be located out of the Capitol, but the Capitol will not be available as a normal meeting place for the interim. Whether meetings are held in other locations on or near the Capitol grounds, elsewhere in Helena, or in locations around the state, more time and effort will need to be expended to support interim work. More details should be forthcoming in early spring.

Council to Review Budget Items...The Legislative Council is beginning a review of items to be developed for budget review later this year and for legislative review in the session. Among specific issues identified for consideration are: assuring there is sufficient money to cover the cost of legislators buying retirement as the term limits are approached; reviewing the possible simplification of the interim committee structure to reduce the number of committees; making the positions of Chief Clerk of the House and Secretary of the Senate permanent, non-partisan positions to help capture institutional knowledge as leaders come and go more often; and if compensatory time payouts should become a policy, building the cost into the budget.

Personnel Issues Considered...Progress was reported on several branch personnel issues being considered by a joint Legislative Council, Legislative Finance Committee, and Legislative Audit Committee subcommittee. No recommendations were presented, but additional meetings are anticipated.

Council to Meet in March...The next meeting date for the Legislative Council is March 20, 1998.

ENVIRONMENTAL QUALITY COUNCIL

EQC Hears Reports on DEQ...The Environmental Quality Council (EQC) met Thursday and Friday, January 8 and 9 in the State Capitol. At the request of Governor Racicot, the Council convened Thursday evening to listen to the Governor's investigation into allegations regarding the Department of Environmental Quality (DEQ). The Council reconvened Friday morning to hear from Director Mark Simonich on a variety of issues including the reorganization of the Impact Assessment Bureau, DEQ's MEPA implementation policy, DEQ's response to the EPA regarding the Montana environmental self audit legislation and DEQ's enforcement and compliance reporting system. After hearing from the Governor, Director Simonich, and the public, the Council requested that questions be developed to be included and addressed in the Legislative Auditor's audit of DEQ's Permitting and Compliance Division. The results of the audit will be reported to the Legislative Audit Committee in the Fall of 1998.

Council Discusses Pollution Control...The EQC meeting continued on Friday afternoon with a mini-seminar focussing on some innovative approaches to pollution control. A distinguished panel of faculty members of MSU's Office of Research, MSU Extension, and the Montana School of Law provided background and commentary on ISO 14000, "green" certification, and emissions trading. Representatives of various industry and interest groups then provided their perspectives on these tools and their potential applicability in Montana. At its March 13 meeting, the EQC will continue its inquiry into innovations in pollution control with a panel discussion on voluntary BMPs (Best Management Practices) as they are applied to non-point source water pollution in Montana.

The Council also heard an update from the Department of Fish, Wildlife, and

Parks on their conservation easement program and activities.

Montana Growth Issues...At its meeting on January 8, the Growth Subcommittee continued to gather information on growth in Montana from various perspectives. The Subcommittee watched a video called "Why Plan: A Citizen's Guide to Rural and Community Planning" produced by the Department of Commerce's Community Technical Assistance Program. The Subcommittee then participated in a panel discussion of growth issues from a development perspective. The panelists included representatives from real estate, builders, developers, and design consultants. The days discussion included a number of innovative ideas and thoughts on the present framework of growth laws. Therefore, the Subcommittee chose to plan a working session for its next meeting.

At its next scheduled meeting of March 12, 1998, the Subcommittee will listen to a more comprehensive analysis of the results of the survey it sent to counties, cities, and towns and discuss the information provided by the various panels with the goal of developing a work plan for the rest of the interim. For more information, contact Martha Colhoun, EQC staff, at 444-3742.

Water Policy...The EQC's Water Policy Subcommittee met in the afternoon and evening of January 8 in Helena. The Subcommittee finalized its work plan for the interim (soon to be posted on the EQC's "Web" page...!), discussed current issues related to water policy in Montana, received updates on wetlands planning, dam management, fish eradication policy, and several "return flow" studies.

The Subcommittee spent most of the evening on its highest oversight priority--the Department of Environmental Quality's (DEQ) implementation of HB 546 (the "TMDL" bill). This involved an update from DEQ staff, a presentation and discussion on when water quality standard "exceedences" become "impairments" (i.e. how many times can a water quality standard be exceeded before a water should be put on the "impaired" list?), an update on waters that have been petitioned to be removed from the "impaired" list, and a discussion of septic regulation in Montana and septic's relationship to nutrient loading problems on 17 Montana waterways.

The Subcommittee will meet again on March 12 in Helena, when it will continue its review of HB546 implementation, and will hear about some water rights issues. It may also look into bull trout programs and policy and further investigate the concept of emissions trading. For more information, contact Kathleen Williams, EQC staff, at 444-3742.

Waste Tire Study...The working group formed by the EQC to study alternatives for managing waste or scrap tires in Montana in response to SB 332 has met twice and concluded that it is ready to identify problems, potential solutions, and make its recommendations to the EQC. Staff will be assembling available information and preparing a report on alternatives reviewed by the working group and developing a draft list of identified problems, options for solutions, and recommendations for the group to review and discuss at the next and possibly final meeting of the group sometime in late June. The issues are presented in an article in "The Back Page" of this issue of *THE INTERIM*.

Interested persons with suggestions on what alternative solutions should be included or information regarding current problems resulting from waste tire management in Montana are encouraged to contact Larry Mitchell, EQC staff, at 444-1352 or by e-mail to <lamitchell@mt.gov>.

Next EQC Meeting in March....The next EQC meeting is scheduled for March 13, 1998.

For more information about the EQC or about the EQC Web page, please contact the EQC staff at 444-3742 or via the Internet at <teverts@mt.gov>.

COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Consultant Conducts Focus Groups...A benefits design consulting team from Actuarial Sciences Associates, Inc. (ASA) conducted focus groups on the Public Employees' Retirement System (PERS) throughout the state in January. The focus groups were a key part of an effort to objectively assess the goals and needs of employers, policymakers, and plan members. The assessment of goals will serve as a foundation for ASA to develop options and recommendations for the Committee on Public Employee Retirement Systems (CPERS). The Committee has been directed by House Bill No. 90 to objectively assess goals, examine options, and develop recommendations for modifying or replacing PERS. The Committee is to present recommended changes to PERS, along with an implementation plan, to the next Legislature.

The consulting team conducted a total of twelve employee groups and five employer groups. The group meetings, each attended by an average of about 15 to 25 select participants and lasting 90 minutes, involved the participation of a cross-section of PERS members and employers. Group discussions were formally facilitated by ASA's experts to ensure focus on the specific changes required under HB 90, which include increased portability, flexibility to offer contribution and investment choices and benefit payout options, and retention of a specified benefit in retirement.

To Present Options and Recommendations to Committee...During the month of February, ASA will be assessing the information and data collected through the focus groups and other efforts and developing alternative plan design changes that comply with HB 90. These options and recommendations will be formally presented to CPERS at a public meeting in Helena on March 5 and 6, 1998. That meeting is tentatively scheduled to begin at 8:30 a.m. in Room 437 of the State Capitol. Before the conclusion of that meeting, CPERS members will be asked to decide on which alternatives should be further considered and examined in greater detail. The consulting team will then conduct a thorough analysis of potential effects, including actuarial implications, of the changes. The consultants will present their analysis to

CPERS in May.

For more information, please contact Sheri Heffelfinger at 444-3596, <sheffelfinger@mt.gov>, or access the CPERS Internet web page at <http://www.mt.gov/leg/branch/int_comm.htm>.

CORRECTIONAL STANDARDS AND OVERSIGHT COMMITTEE

Committee Examines Juvenile Issues...The Correctional Standards and Oversight Committee met January 22 in Boulder and toured the Riverside Youth Correctional Facility for girls and received information on the Aspen Youth Alternatives of Montana program, the juvenile population and management plan, Pine Hills Youth Correctional Facility for boys, and juvenile programs in the Community Corrections Division which includes the juvenile placement budget. The Committee received information on the overcrowding situation at Pine Hills and the length of stay guidelines used for release decisions. Pine Hills is in the process of receiving American Correctional Association accreditation, the first state correctional facility to do so.

Building or renovation projects at both youth correctional facilities will begin with the bid process in the next few months. Riverside renovation should be complete by the end of 1998 and Pine Hills expansion building will be completed in the summer of 1999.

Committee Discusses Numerous Issues...On January 23, the Committee reconvened in Helena. The first items on the agenda were changes to the Youth Court Act and other issues surrounding the Act.

The main agenda item was a presentation by Department of Corrections' staff on the adult population projections and management plan, including the long-range building program. The Department prepared information for the initial phases of the Executive Planning Process and shared this information with the Committee. The Department will continue to work on its proposals for the 1999 legislative session and the Committee will receive updates as more information becomes available. The Department is proposing expansion at Montana Women's Prison and currently reviewing the Montana State Prison expansion plans to change an authorized low side unit to a high side unit and reception building.

The first regional prison is on line in Great Falls and the first half of inmates from the male institutional population have been transferred. The full contract is for 152 beds. The Dawson County Regional Correctional Facility should be open in November 1998 with a capacity of 144 beds, and the Missoula County Regional Correctional Facility will come on board September 1999 with a capacity of 144 beds.

The subcommittees reported their activities and plan to meet in February to continue information gathering and developing recommendations for the full Committee.

Committee Hears Prerelease Report...A presentation was made by the Missoula Prerelease Center which will be co-located with the Missoula County facility. In order for the Prerelease Center to build its own facility, it will affect the cost per day in order to pay for debt service over the next twenty years, but they will achieve a greater economy of scale in its ability to house 80 male inmates and 20 female inmates. The Committee passed a motion in support of the Department and the Prerelease Center continuing its contractual arrangement with the understanding that the future per diem costs will include the debt service costs.

Department Reports Budget Shortfall...The Department reported to the Committee that based on projected budgets, the Department will be \$2.4 million net over budget this fiscal year. A \$3.4 Million dollar deficit will be mitigated by \$1 million from other sources. The areas contributing to the shortfall include the juvenile placement budget, outside medical costs, higher than projected rerelease center placement, and costs attributed to adult contracts related to population numbers and administrative costs. The numbers will be reprojected in March and the Committee will receive an update in April or May. The Department is noting a decline in the rate of admissions for men, but an increase in female admissions.

Committee to Meet in Great Falls...The next full Committee meeting will be Friday, March 6 in Great Falls at the Cascade County Regional Correctional Facility.

If you need additional details on subcommittee meetings or are interested in being placed on the interested persons list for the Correctional Standards and Oversight Committee or any of its subcommittees, please contact Susan Fox at 444-3064 or by e-mail at <sfox@mt.gov>.

GAMBLING STUDY COMMISSION

Commission Selects Consultant...The comprehensive analysis of the social and economic impacts of gambling provided for in House Bill 615 last session is underway. In December the Gambling Study Commission selected the University of Montana Bureau of Business and Economic Research and Gemini Research, the Bureau's Massachusetts-based partner, to undertake the study. On January 5 the Commission had a productive negotiating session with the research team in Missoula, and as a result a number of the items and methods outlined in the winning team's proposal were modified to maximize the return on the Commission's \$90,000 contract award.

Survey Instrument Developed...The study team developed a questionnaire with some assistance from the Commissioners and have since pre-tested this telephone survey instrument to measure gambling behavior statewide. The approximately 15-minute survey will be administered to over 1,000 randomly selected Montana households, and the Commission and the contractor together urge state citizens to cooperate in this important exercise in accurate data collection and

assessment.

Other components of the study include a written survey of gambling establishments (including those on Indian reservations) to gather information about ownership, employment; a survey of non-residents that will be coordinated with the Institute for Tourism and Recreation Research at the University of Montana; data collection from problem and pathological gambling treatment providers and Gamblers Anonymous chapters in the state; and an analysis of various crime data.

To Meet in Missoula...The next meeting of the Commission will be on Tuesday, February 24, at the Gallagher Business School Building on the University of Montana campus in Missoula. Interested persons are urged to take note of this date, as the meeting was originally set for February 17. The morning segment of the meeting (starting at 8:00 a.m.) will be devoted to a number of progress reports from the study team to the Commissioners. The formal agenda had not been set at the time of publication of this issue of *THE INTERIM*, but the remainder of the day will include a period for public comment and several brief factual presentations or updates that will enhance the Commission's knowledge of different aspects of gambling trends in this state and across the nation.

For a copy of the UM-Gemini proposal or other information about the study, please contact Research Analyst Stephen Maly at (406)444-4064 or by e-mail at <smaly@mt.gov>.

TRANSITION ADVISORY COMMITTEE

Committee Continues Activities...The Transition Advisory Committee on Electrical Industry Restructuring (TAC) has been active on several fronts. The TAC and the Consumer Counsel held a special joint meeting on January 9 to consider the ramifications of Montana Power Company's announced intention to sell all of its generation assets in the state. The Public Service Commission Liaison Group (a subcommittee) met on January 16 to discuss reciprocity and interim licensing requirements for power suppliers, and the Education Subcommittee met on January 22 for an update on the outcome of "the Collaborative", a participatory effort to shape mutually agreeable guidelines for pilot programs and a general customer education message. In addition, the members of the Tax Liaison Group (another subcommittee) will report their most current observations of the tax implications of restructuring to the full TAC following the Revenue Oversight Committee's January 30 meeting.

All of these meetings took place in the State Capitol in Helena. The minutes are available on request. For a more in-depth account of the TAC's activities and related events, see the forthcoming issue (#2, February) of the quarterly newsletter called "The TAC Report". Further information is available from Research Analyst Stephen Maly or Environmental Policy Analyst Todd Everts at (406) 444-3064.

USBP Subcommittee to Meet in Missoula...The Universal Services Benefits

Program (USBP) Subcommittee will meet in Ballroom CD at the Holiday Inn Parkside in Missoula on February 5. Subcommittee Chairman Rep. Ernest Bergsagel will convene the group at 10 a.m. to hear about recommendations from the Public Service Commission staff, utilities, cooperatives, large customers, the Governor's office, and the general public on how the USBP fund should be implemented and who should implement it, as well as criteria for fund expenditures, and how the fund should be monitored and evaluated. There will be an hour-long lunch break at noon, and the meeting is expected to last until 4:40 p.m.

TAC to Meet in Missoula...The next meeting of the full TAC will take place on Friday, February 6, in Ballroom CD at the Holiday Inn Parkside in Missoula. TAC staff and interested Committee members will be available at breakfast (9 a.m.) to review the requirements of SB 390 and related technical issues. Following a brief welcome from Senator Fred Thomas (Chairman) at 9:30 a.m., there will be a half hour period set aside as a public forum.

Other items on the TAC agenda include panel presentations on self aggregation, marketers and suppliers, and reciprocity as well as reports from the various subcommittees and updates from staff and members.

The second issue of the Committee's quarterly newsletter, "The TAC Report", will be published in early February. To obtain a copy, or to be placed on the mailing list to receive this and subsequent issues, please call Stephen Maly at 444-3064.

LEGISLATIVE FINANCE COMMITTEE

Mental Health Managed Care Backup Plan Placed on LFC March Agenda...As Chairman of the Legislative Finance Committee and in fulfillment of the Committee's statutory oversight role of the mental health managed care program, Senator Swysgood has requested the Department of Public Health and Human Services to discuss the program and the potential of a proposed backup plan at the March 12-13 Legislative Finance Committee meeting.

Senator Swysgood's request, dated January 15, followed the Mental Health Access Plan Oversight Committee's action on the same date requesting the Department to develop an alternative plan by the end of January 1998. At the Oversight Committee meeting on January 15, the Department indicated it did not have a formal backup plan but it was developing one in response to a request from the Health Care Financing Administration. The Oversight Committee is scheduled to meet February 4, 1998, to review the Department's proposed backup plan. Senator Waterman and Representative Soft are the legislative representatives on the Mental Health Access Plan Oversight Committee.

SUBCOMMITTEE ON DEDICATED REVENUE AND STATUTORY APPROPRIATIONS

To Meet in March...The Subcommittee on Dedicated Revenue and Statutory Appropriations will meet March 11, 1998, in Room 108 of the Capitol. The Subcommittee will begin its review of statutory appropriations to determine if they meet statutory criteria or still represent legislative priorities. Staff has prepared an analysis of all 83 statutory appropriations based on statutory criteria and has provided additional information to assist the Subcommittee in its review. Legislative Fiscal Division staff assisting the Subcommittee are Roger Lloyd and Bob Tallerico.

SUBCOMMITTEE ON WELFARE AND CHILD SUPPORT ENFORCEMENT PROGRAMS

Subcommittee Meets in January...The Subcommittee on Welfare and Child Support Enforcement Programs held its second meeting on January 27. The Subcommittee heard a number of reports from staff and from the Department of Public Health and Human Services (DPHHS).

David Niss, staff attorney, presented a legal memorandum on the state's obligation to provide child support and public assistance programs. The memorandum addressed the Legislature's duty under the Montana Constitution to provide those programs. As a result of his examination, Mr. Niss concluded that there is no constitutional right in Montana to public assistance nor to child support enforcement services.

Pam Joehler and Joanne Chance of the Legislative Fiscal Division presented a fiscal summary for the Child Support Enforcement Division and the Public Assistance Program of the DPHHS. Their report summarized state and federal resources appropriated by the 1997 Legislature to the DPHHS for each of these programs as well as fiscal issues that have developed since the 1997 Legislature adjourned. The Child Support Enforcement Division was appropriated \$20.2 million for the 1998-1999 Biennium. Of that amount, \$16.3 million is federal funds and \$4 million is state funds. The Families Achieving Independence in Montana (FAIM) Program was appropriated \$121.4 million for the 1998-1999 Biennium. Of that amount, \$89.3 million is federal funds and \$32 million is state funds.

Hank Hudson, Child and Family Services Division Administrator at DPHHS, compared FAIM with the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA), the federal welfare reform program. Montana sought and received waivers to operate FAIM before PRWORA was passed in 1996. Montana will continue to operate under those waivers until 2002. When PRWORA was passed, some of the waivers that Montana had were incorporated into PRWORA. FAIM, therefore, follows very closely the provisions of PRWORA.

Connie Erickson, staff research analyst, reported that if Montana chooses not to participate in the federal welfare program, that will probably not jeopardize the

state's participation in Medicaid and Food Stamp programs. The one possible exception might be the Transitional Medicaid Assistance Program. Ms. Erickson will do more research on that particular issue.

Subcommittee Directs Department to Prepare Recommendations...After some discussion, the Subcommittee directed DPHHS to prepare recommendations for operating a public assistance program using only state funds, approximately \$32 million, and a child support enforcement program using only state funds, approximately \$4 million. DPHHS will bring those recommendations back to the Subcommittee at its March 11 meeting. In the meantime, Subcommittee staff will examine the impacts of state funded-only programs on Indian reservations, the impacts of a loss of \$100 million in federal funds on the state's economy, and the impacts of a drastically scaled-down public assistance program on Montana communities.

To Meet in March...The Subcommittee will meet on Wednesday, March 11 in Room 104 of the State Capitol beginning at 8:30 a.m. For more information, please contact Connie Erickson at 444-3064 or by e-mail at <cerickson@mt.gov>.

LEGISLATIVE SERVICES DIVISION

Reports and Memos Available...The following reports and memos are currently available from the Legislative Services Division. To obtain a copy, please contact the LSD Library at 444-3064 or by e-mail at <@mt.gov>.

"Putative Fatherhood: A New Perspective"

"The Montana Electric Utility Industry Restructuring and Consumer Choice Act"

"Market Value and Other Issues Related to Property Taxation"

"A Primer on the Taxation of Intangible Personal Property"

"Letter of Opinion Regarding Easements Across Navigable Waterways"

"Letter of Opinion on Public Records"

"Letter of Opinion Concerning a Treasure State Endowment Program Grant to the Lakeside Water and Sewer District"

WELFARE TO WORK

State Plan Developed...The Department of Labor and Industry, Department

of Public Health and Human Services, and staff for the Job Training Partnership Act Private Industry Councils jointly developed a draft State Plan describing how the Welfare to Work program will work in Montana. The draft plan provides the description for: the program design and State and local targeting strategies; how State and local policy will govern implementation of the Welfare to Work program; how the program will be implemented across the State, including the roles and responsibilities of the State Welfare to Work Administrative Entity, State Temporary Assistance to Needy Families (TANF) agency and the Private Industry Councils; the monitoring and oversight for fiscal controls and to assure quality program outcomes; and the strategies of the State and Private Industry Councils in preventing duplication of services and promoting coordination between Welfare to Work, Temporary Assistance to Needy Families, job training and one-stop centers, and other employment and training systems throughout the state.

State Plan Available for Review and Comment...The State's Welfare to Work plan is posted on the Department of Labor and Industry home page for review and comment until February 20, 1998. Comments regarding the plan or requests for a hard copy of the plan should be addressed to Connie Kinsey, Bureau of Program Management Department of Labor and Industry by phone at 444-4571, through e-mail address <ckinsey@jsd.dli.gov> or by mail:

Connie Kinsey
Bureau of Program Management
Department of Labor and Industry
P.O. Box 1728
Helena, MT 59624.

Legislators are particularly encouraged to review and comment on the state plan.

Staff from the Departments of Labor and Industry and Public Health and Human Services and the Private Industry Councils plan to hold public meetings for comments the first two weeks in February in 4 to 5 sites across the state. The sites and dates for the public meetings will be posted on the Department of Labor website and in local newspapers. Legislators are cordially invited to attend the public meeting in their area.

THE BACK PAGE

Almost everyone will agree that piles of abandoned tires are an unsightly blight on Montana's landscape. While it may be easy to pass a law requiring the disposal of scrap tires, how to accomplish that disposal is easier said than done.

This month's "The Back Page" discusses the efforts of the Environmental Quality Council and other interested parties to address the issue of scrap tires and propose recommendations to the 1999 Legislature.

When the Rubber Leaves the Road...What Next?

by Larry Mitchell, Resource Policy Analyst
Legislative Environmental Policy Office

"FREE TO A GOOD HOME - 900,000 SCRAP TIRES!"

Doesn't that sound like an opportunity worth investigating? According to EPA and industry estimates, that's the approximate number of waste, scrap, or junk (pick your favorite term) tires that are discarded in Montana...each year...every year. Can this be true? On the average that's about 1 tire per year for every person in the state. Or put another way, that's about one set of 4 tires every 4 years. Starting to make sense now? How much do you drive...about 12,000 to 15,000 miles per year? If so, in four years we own a set of tires with anywhere from 48,000 to 60,000 miles on them, often ready to be re-tired. Yes, but not every man, woman, and child in Montana owns and drives a vehicle. But many of us own more than one. U.S. Department of Transportation Federal Highway Statistics for 1995 showed that Montana ranked second in the nation behind Wyoming in the number of vehicles (automobiles, trucks, and buses) per capita at 1.11 where the national average is about .77 vehicles per capita.

Using 1995-96 statistics, the 879,000 of us registered 968,468 cars, trucks and buses. It's not completely unreasonable that these vehicles might need a new set of tires every 4 years, or an average of about one tire per year. Also, many of us drive while on our jobs in addition to the miles we put on the family car or truck. If you consider that Montana is poor in public transportation and rich in distance and industries like agriculture, logging, and mining, then perhaps it's not so inconceivable that we generate nearly 900,000 scrap tires each year. A summary of Montana tire retail sales figures is not available, so for the present let's stick with the national estimate of one tire per person per year generation rate.

WHAT'S A TIRE?

Today's modern vehicle tire is a complicated mixture of steel, fabric, petrochemicals and about 14 to 20% natural rubber. Depending on customer needs, the compounds used in manufacturing a tire are blended to provide a variety of characteristics for wear, road adhesion, heat dissipation and so forth. Today's modern tire is a tough-to-destroy combination of fabrics, metals and hydrocarbons, incidentally with a BTU content per pound similar to that of bituminous coal, but more on that later. Mostly steel belted these days, they are designed to give long term trouble-free use as a tire. They are not manufactured or designed to be easily cut into sandals, fencing material, or other after market uses. When they are worn out, their best use is still as a tire if they can be retreaded and if there is a market for them as retreads. Otherwise they become trash, garbage, refuse, or in today's parlance, "solid waste" in need of disposal if they can't be recycled into other products.

EQC STUDY

Why is the Environmental Quality Council (EQC) involved in the study of scrap tires? The 1997 Legislature amended Montana's solid waste management law to require regulated tire-only recycling or disposal facilities to provide some sort of financial assurance to address any problems that could result from that activity. Licensed household waste (Class II) landfills have been required by state and federal law to provide financial assurance but "tire only" (Class III) disposal sites or licensed "resource recovery facilities" were not so required until the 1997 changes. Elsewhere and here in Montana, problems have occurred where tire recycling plans gone awry have resulted in huge piles of surface stored tires with no place to go or, more accurately, no financial means to properly dispose of them. Abandoned tire piles contribute to visual blight, can provide habitat for undesirable pests like mosquitos, skunks and snakes, and present a potential open burning fire hazard with significant health, safety, and environmental impacts.

Requiring financial assurance for tire disposal sites may prevent the abandoned tire pile problem but may also restrict the options available for proper and inexpensive tire disposal in Montana. With minor exceptions, the current solution for scrap tire disposal in Montana is to landfill them at either Class II landfills or Class III landfills. Presently, there are 3 licensed Class III sites that are dedicated "tire only" disposal sites in Montana; one in the Laurel area, one in Polson, and one in Kalispell. There are 24 other small Class III sites which will accept some tires along with other inert, non-water soluble wastes (rock, cement, brick, etc.). Finally, there are some 37 Class II landfills which eagerly or begrudgingly will accept scrap tires for disposal. Not certain that landfilling tires was the best policy alternative, the 1997 amendments also asked the EQC to study the management of scrap tires in Montana and elsewhere, and to make recommendations to the next Legislature.

STUDY EFFORTS

A working group of landfill owners and operators, tire dealers, tire processors, regulatory officials, public interest groups and others have been meeting to assist the Council in this study. This particular group of 25 to 30 citizens are quite familiar with tire management and alternatives that have been tried in other states. Are there solutions that would work in Montana that would be as economical as the present situation, or is there a better way to reuse or recycle our scrap tires for an acceptable increase in cost? That seems to be the key question.

CURRENT COSTS OF DISPOSAL

According to the latest Department of Environmental Quality (DEQ) report on the subject, the reported charge for landfilling a tire in Montana varies from \$0 to \$25 depending on size. Large heavy equipment tires can weigh many thousand pounds each and consume considerable space in a landfill. More typically, landfills in Montana are charging from \$1 to \$3 for auto and light truck tires and from \$3 to \$5 for semi-truck tire sizes. The median figure from the 34 sites that identified separate charges for tires was about \$1.33 per tire. For the average 20 pound auto tire this \$1.33 translates into a disposal cost of about \$133 per ton of tires. Tipping fees or landfill disposal charges for general household waste delivered at the gate are currently \$11.50 per ton at Billings, \$21.43 at Great Falls, and \$34 at Bozeman. Landfills generally charge more per ton for the disposal of tires than they do for typical household waste for a variety of reasons but mostly because of the space they take up in a landfill. They're large, they're bulky, and they're hard to compress.

Landfills sell air space to their customers by the cubic yard. One cubic yard of whole auto tires contains about 8 to 10 tires. One ton of whole tires (approximately 100 tires) will take up about 10 to 12 cubic yards of landfill space. One ton of household garbage compacted in place will consume about 2 cubic yards of landfill space (approximately 1000 pounds per cubic yard). So the per ton cost of whole tires is or should be about 5 to 6 times that of household garbage as tires will consume approximately 5 to 6 times the space. (Incidentally, this can be cut at least in half, if the tires are too...stay tuned).

Over the past several years, state and federal environmental regulations have increased the cost of owning and operating solid waste landfills by requiring leachate control and groundwater monitoring, methane gas control and monitoring, and financial assurance for closure and post-closure monitoring. The DEQ estimates that landfill operating costs are between \$14 and \$40 per ton or \$7 to \$20 per cubic yard (\$.70 to \$2.00 per whole tire at 10 tires/cubic yard). However, the costs for operating a Class III landfill or a Class III landfill dedicated to tire only disposal can be far less expensive. Class III landfills do not require the costly environmental protection measures of Class II landfills because of the inert nature of the wastes they may accept for disposal. Landfills that are concerned about preserving potentially expensive Class II landfill

space for household garbage may independently reject whole tires, charge higher rates for their disposal, require that tires be split, baled, or cut up prior to disposal, or they may develop low cost Class III sites for disposal of tires and other inert voluminous wastes.

Increasingly, tire disposal costs are being paid by the tire customer who is responsible for generating the scrap tire when a new set is purchased. Most tire dealers now are charging their customers a fee between one and two dollars per tire to cover scrap tire handling, transport and disposal charges. According to the working group, tire dealers are responsible for approximately 80 to 90% of the tires that need disposal in Montana. It is a critical part of the study that our tire dealers have a disposal option available at a reasonable cost to them and their customers.

OTHER ALTERNATIVES

Retreading

The automobile tire retreading market in Montana, as in other states, has declined over the years, but it is still a viable option for large equipment and semi-truck tires. According to information presented to the tire working group, Montana has only one auto tire retreading business still in operation. The cost differential between a new tire and a retreaded tire is apparently not sufficient to provide a solid market for auto tires. Also, the expanding variety of sizes and performance options make it difficult to supply the market with a reliable supply of matched tire casings for retreaded auto tires. A small market does still exist in the light truck, recreational vehicle, and in the more expensive performance tire market.

There is a strong market in the trucking industry for retread semi truck tires and several Montana retread companies are producing for that market. It was reported that between 65-70% of the trucking industry uses retreaded tires in its fleet. Reusable tire casings sell for between \$20 and \$80 and the cost of a retreaded truck tire is approximately one half the price of a equivalent grade new tire. The working group held discussions about ways to encourage the use of retreaded truck tires in government fleet vehicles.

Non-tire recycling markets

There are a multitude of markets for scrap tire derived materials that have come and gone and others that are still under development. The 1997 Scrap Tire and Rubber Users Directory lists firms that utilize scrap tires or scrap tire materials for such things as soaker hoses, boat dock bumpers, blasting mats, running surfaces, livestock and landscaping beds, railroad crossing pads, traffic delineators, truck bed mats, playground surfaces, drainage systems, highway asphalts, sound barriers, and many other products. While these technologies and markets have developed and expanded with varying success over time, none of these out of state manufacturers are clamoring over Montana's scrap tires. Each of these uses require processing the ("tough to destroy") tire into usable pieces by slicing, shredding or, in many cases,

reducing the tire to crumb rubber similar in texture to coffee grounds. This latter is a rather expensive process and requires a capital investment of several hundred thousand dollars, high operational costs, an inexpensive supply of delivered raw material, and most importantly, a market for the final product. Currently, that national market is being filled by someone else's tires.

There is a tire processor near Polson who has been collecting tires from the western half of the state and shredding them into strips or large chips for several years. The operator has been marketing the material as a substitute for wastewater drain field gravels and for use as roadbed fill material and offers it for any other use subject to the needs and imagination of the customer. The vast majority of the material to date has simply been landfilled on site but with a significant reduction in volume. Depending on the machinery, slicing, shredding or chipping whole tires can reduce volumes two, three, and sometimes four to one. The advantages of volume reduction in transportation, storage, and disposal are obvious but it comes with a processing and handling cost. Generally speaking, the smaller the pieces the greater the cost.

Rubber in the Road

The Montana Department of Transportation has installed a 4 mile test section of rubberized asphalt surface overlay on State Highway 56 near Bull Lake in northwest Montana. Rubberized asphalt using processed scrap tires has been installed for over 20 years in the Southwest. The Montana DOT has been following this engineering application but officials are not convinced that its use in Montana would be cost effective given the high cost of the material compared to more conventional road mixes and given the differences in the road failure problems that exist between Montana and the Southwest region of the country. The tire material used in the Bull Lake project had to be imported from out of state as there are no crumb rubber producers in Montana. We used someone else's scrap tires.

Fuel Supplements

The Scrap Tire Management Council estimated that in 1996, markets existed for 202 million or nearly 76% of the 266 million scrap tires generated nationwide that year. (Montana's 0.9 million or so didn't count for much). Of that 202 million, nearly three fourths were burned as supplemental fuel in a total of 107 facilities. Users included 35 cement kilns, 23 pulp and paper facilities, 15 electric utilities, and 34 other industrial and electrical generating facilities. Depending on the type of furnace or boiler, tires can be incinerated whole or they may be shredded or chipped and then burned. The fuel content of tire derived fuel (tdf) is reported to be approximately 14,000 BTU per pound compared with petroleum coke at 13,700, bituminous coal at 12,750, and wood (as wet "hog fuel") at 4,375 BTU per pound. Each furnace or boiler has specific design and operational differences that are particular to the individual facility, but many are successfully utilizing scrap tires as a supplemental fuel. All of these facilities are presumably state permitted for air emissions. Facilities near Montana that accept tires as fuel include Ashgrove Cement kilns in Inkom, Idaho; Durkee, Oregon; Leamington, Utah; and Seattle, Washington. Holnam Cement is burning tires at its facilities in Devil's Slide, Utah and Seattle, Washington among

others. A lime kiln near Salt Lake is using tires as supplemental fuel as are two MDU electrical generating facilities in North and South Dakota. Establishing a cost effective system to transport Montana's tires to these existing facilities would be a significant challenge even if there were room for additional tires in those fuel markets.

Montana has an Ashgrove Cement kiln facility at Montana City near Helena and a Holnam Cement facility near Three Forks. Also, there are several lime kiln facilities, one paper and pulp producer and a variety of wood products industry boilers that utilize waste wood "hog fuel" in Montana. The decision to utilize an alternative fuel source depends primarily on economics and engineering, but the political impacts of the decision must also be considered. Currently, none of the potential users in Montana have expressed an interest in utilizing scrap tires as a fuel supplement given the current cost of energy and the potential cost of the conversion in economic and political terms.

STUDY RESULTS...SO FAR

The EQC working group met in August and November to identify any scrap tire problems in Montana and discuss possible solutions. Participants have discussed the problem and received information on fuel supplementation, cottage industry efforts, recycling tax credits, asphaltic road surfacing, civil engineering applications, tire landfilling, shredding, splitting, and baling costs, and reviewed government subsidized tire recycling programs and efforts in other states. A meeting will be held, probably in late June, when the group will review and screen possible solutions and make recommendations for the EQC to consider. The EQC is required to make its recommendations available to the next legislature by October, 1998.

Should Montana develop a state subsidized program to encourage tire recycling, develop markets for products, and provide grants for research? Should the legislature ban the disposal of tires in our landfills or should it require that they be chopped, shredded or otherwise processed before disposal? Should the landfills set their own rules? Who should bear the cost of scrap tire management in the state? How serious is the problem and is it a statewide problem that requires a statewide legislative solution? Do scrap tire haulers need to be regulated? What role should the market play, and is there any role for public funds and involvement in that market?

These and other questions will be up for discussion at the next workgroup meeting. Tire dealers and the public are concerned that they have an environmentally sound, cost effective way to dispose of scrap tires. Everyone is opposed to the occasional but sometimes serious and costly "midnight dumping" of scrap tires. Some landfill operators are concerned about the consumption of valuable landfill space and tend to discourage tires through local site rules or increased tipping fees which can sometimes result in an increase in the illegal dumping problem.

NO PROBLEM!(...SORT OF)

Here's a solution that just came to mind and helps put the Montana tire problem in perspective. Ignoring the other alternatives for the moment, if the landfills really don't want to take up their space with our annual production of 900,000 scrap tires, and landfilling turns out to be the least expensive solution, all we really need is a big hole where we can dump our tires. Did you know that the Berkeley Pit in Butte has an estimated volume (without the water) of 437,000,000 cubic yards? Assuming a constant 900,000 auto-sized tires per year, and 10 to the cubic yard, it would take us some 4,900 years to fill the pit with tires. If we ran them through a tire shredder first, we'd have nearly 20,000 years of capacity assuming a 4 to 1 volume reduction. Now we're looking at about 180 million tons of shredded tires, mostly hydrocarbons...under pressure...over a long, long, long period of time. Butte, Montana...home of the world's largest diamond mine!

FURTHER INFORMATION

Well, ok.....if you've got some ideas of your own and wish to contribute to the discussion or participate in the next meeting of the working group, please contact Larry Mitchell, EQC staff at 406-444-3742, fax 406-444-3971 or send e-mail to <lamitchell@mt.gov>. Meanwhile we've got "Free to a good home - 900,000 scrap tires!" (P.S. You haul).



INTERIM CALENDAR

UNLESS OTHERWISE SPECIFIED,
ALL ROOM DESIGNATIONS ARE IN THE CAPITOL

FEBRUARY

February 5, Transitional Advisory Committee USBP Subcommittee, Holiday Inn Parkside, Missoula, 10 a.m.

February 6, Transitional Advisory Committee, Holiday Inn Parkside, Missoula, 9 a.m.

February 9, Interim Property Tax Committee, Plaza Holiday Inn, Billings, 2:30 p.m.

February 11, Committee on Children and Families, Room 420, 10 a.m.

February 16, Presidents' Day, legal holiday

February 24, Gambling Study Commission, Gallagher Business School Building, University of Montana, 8 a.m.

MARCH

March 2, Postsecondary Education Policy and Budget Committee, 9 a.m.

March 5, Interim Property Tax Committee, Livingston

March 6, Interim Property Tax Committee, Bozeman

March 6, Correctional Standards and Oversight Committee, Cascade County Regional Correctional Facility, Great Falls

March 5-6, Committee on Public Employees Retirement System, Room 437,
8:30 a.m.

March 10, Committee on State Management Systems

March 11, Subcommittee on Welfare and Child Support Enforcement Programs,
Room 104, 8:30 a.m.

March 11, LFC's Subcommittee on Dedicated Revenue and Statutory
Appropriations, Room 108

March 12-13, Legislative Finance Committee, Room 108

March 12, EQC Water Policy Subcommittee

March 12, EQC Growth Subcommittee

March 13, EQC, Room 104

March 20, Legislative Council, Room 104

March 27, Legislative Audit Committee, Room 104

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